



CENTRAL BANK OF BELIZE

INTERNATIONAL BANKING ACT, REVISED 2003

Circular No. 5 of 2011

Requirements for Assets Acquired for Sale

Title and Commencement

This circular shall be called International Banking Act (IBA) Circular No. 5/2011 and shall come into effect immediately.

Authority

This circular is made in exercise of the authority conferred on the Central Bank of Belize by Section 45(1) of the IBA and as approved by the Minister of Finance.

Summary

This circular is to restrict the acquisition of assets for sale, by a bank, from a borrower in exchange for the settlement of the borrower's indebtedness and to implement treatment where any such transaction has already taken place.

A. RESTRICTION

Banks licensed under the IBA are henceforth prohibited from acquiring an asset for sale from a borrower in exchange for the settlement of the borrower's indebtedness.

B. REQUIREMENTS

Where any such asset was acquired prior to the date of the issuance of this circular, the following treatment is prescribed:

1. An asset held for sale shall be classified as a fully impaired asset within 30 days of this circular.
2. An impaired asset of this classification will require 100% provisions which shall be made and recognized as a charge to income in the period in which the impairment is identified.

3. The proceeds from the subsequent sale of an impaired asset of this nature shall be recorded as income in the financial period during which the sale occurs.
4. The sale of any such asset shall not be financed partially or wholly by the bank without the prior written approval of the Central Bank of Belize.

15 July 2011